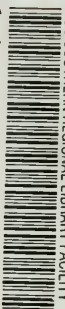


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An Exposure of Profiteering and
the Capitalist System

AN EXPOSURE OF
Profiteering
AND THE
Capitalist
System

— By —
THOMAS BOYDELL



SOUTH AFRICA

Price : SIXPENCE.

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MEMORANDUM
TO
PROFITS REPORT

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PREFACE.

The South African Government, in response to public demand during the war, appointed a Cost of Living Commission in November, 1917. The Commission under its terms of reference investigated, amongst other things, the extent of profiteering in the country.

The Commission consisted of Mr. Howard Pim, C.B.E. (one of South Africa's leading chartered accountants), chairman; Mr. G. Owen Smith, Commissioner for Customs for South Africa; and myself.

By special Act of Parliament the Commission was given the powers of a Supreme Court to subpoena witnesses and call for documents and any evidence it required.

Detailed statements of accounts from over 550 firms, under the headings of Turnover, Gross Profits, Expenses and Nett Profits for their four last financial periods were called for and obtained.

The classes of business taken being bakers, butchers, retail grocers, retail boot and shoe dealers, outfitters, retail drapers, retail hardware merchants, chemists, wholesale grocers, wholesale boots and shoes, soft goods, wholesale hardware, Indian traders and Kaffir truck.

Only representative firms trading in the following towns were taken: Cape Town, Port Elizabeth, East London, Durban, Johannesburg, Pretoria, Bloemfontein, Kimberley, Maritzburg.

In the course of the Commission's proceedings a large number of witnesses were examined. Some of them on the financial statements submitted by their firms.

Apart from the Commission's recommendations arising out of the investigation into Profiteering and Rackrenting, it investigated and reported to the Government on a large number of matters, dealing with the control of food supplies and prices of necessary commodities.

When the reports on Profiteering and Rackrenting had been presented I resigned from the Commission, in order to press in Parliament for effect being given to the Commission's recommendations.

The Profits Report (U.G. 1—19.) was presented on November 26th, 1918. The necessary touring and investigations having taken just over twelve months to accomplish.

It was not until the Parliamentary Session of 1920 that legislation to restrict Profiteering and Rackrenting, based on the Commission's recommendations, was passed. (Nearly eighteen months, be it noted, after the war was over.)

PROFITEERING.

The following figures, taken from the Commission's Profits Report (pages 61 to 69), will give some idea of the extent to which undue profits were being made on the necessities of life by business firms in South Africa during the first few years of the war.

TABLE R.—FIGURES SUPPLIED BY INDIVIDUAL FIRMS.

1914.		Nett Profits.		1917.	
	£		£		
Nett Profits	27,439	Nett Profits	59,004		
" "	19,849	" "	52,419		
" "	2,647	" "	14,006		
" "	10,275	" "	35,764		
" "	9,506	" "	33,481		
" "	4,674	" "	27,523		
" "	3,687	" "	53,456		
" "	3,645	" "	11,588		
" "	2,323	" "	63,173		
				Nett Profits.	
57 Wholesale Grocery firms		1914	£117,000		
		1917	£316,000		
38 Hardware firms		1914	£110,000		
		1917	£247,000		
60 Wholesale Soft Goods firms		1914	£274,000		
		1917	£879,000		
18 firms dealing in Kaffir Truck		1914	£53,000		
		1917	£260,000		
Goods which cost to land 15/- were sold for £6.					

Goods which cost to land £15, were sold for £120 (while still on the water)

Goods which cost to land £500, were sold for £6,000.

One consignment of RICE had been through the hands of five merchants, and was still in the hands of a merchant when the Commission investigated

What hope has the consumer got when the commercial community gamble and speculate like this in the people's food supplies?

SOME WAR PROFITS.

The EXCESS, or war, profits made in the years 1915, 1916 and 1917. IN ADDITION to the 1914 normal profits were no less than **£3,253,276** (see page 7, Profits Report).

From this sum has to be deducted the increased working expenses, which amount to £577,260, leaving a nett surplus profit of **£2,676,016**.

For every £100 spent by the Natives at the stores along the Reef, £49 went in EXPENSES AND PROFITS, the landed cost of the goods being £51.

JOHANNESBURG FIRMS.

	Nett Profits. 1914. £	Nett Profits. 1917 £
Boots and Shoes (wholesale)	9,652	19,024
Hardware (wholesale)	10,692	23,276
Kaffir Goods	18,113	96,515
Soft Goods (wholesale)	74,366	271,631

DURBAN FIRMS.

The following are some of the excess profits made by some of the Durban firms:—

	Nett Profits. 1914. £	Nett Profits. 1917 £
Boots and Shoes (wholesale)	7,236	16,749
Hardware (wholesale)	29,965	85,345
Kaffir Goods	16,841	100,787
Soft Goods (wholesale)	61,695	238,926

CAPE TOWN FIRMS.

	Nett Profits. 1914. £	Nett Profits. 1917 £
Boots and Shoes (wholesale)	6,741	23,134
Hardware (wholesale)	41,566	93,590
Soft Goods (wholesale)	75,115	185,547

All the above profits were made on NECESSARIES OF LIFE.

In most cases the goods sold in 1917 were LESS IN QUANTITY THAN IN 1914.

What about the years 1918, 1919 and 1920? The profits for these years must have been far in excess of the profits made for the first three years of the war

As I was conscious of the palliative nature of the Commission's recommendations which I signed, in order to make the report a unanimous one, I submitted the following memorandum on the Economic System.

This memorandum was printed and published as an addendum to the main report (pages 71 to 92).

As in Blue Book form its circulation has been very limited, I have been requested to re-publish it in more accessible form. I now gladly do so.

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Memorandum to Profits Report

BY THOMAS BOYDELL.

In which are briefly discussed :

Profiteering; Supply and Demand; Price Fixing; Industrial Unrest, Labour and Capital,* and the more essential features and faults of the Present Economic System, together with Labour's solution of the Social and Industrial problem.

INTRODUCTION.

This memorandum, which has been written since the Profits report was practically completed, is merely intended as a supplement.

As the report contains practical suggestions for the immediate amelioration and protection of the consumer it cannot be said that in presenting this memorandum the practical has been sacrificed to what some might call the academic.

At first sight it might appear as though the subjects here dealt with go far beyond the Commission's third term of reference, viz.: "whether undue profits are being made upon necessary commodities." But it will be seen that "profiteering" is only the effect of certain causes, and that these causes go right down to the foundations on which Society is established, so that any investigation or treatment of effects naturally leads to a study of the causes and this opens up the whole social and economic question.

The appointment in most countries of Food Controllers and Commissions, functioning on lines similar to the Cost of Living Commission, has been considered necessary in order to protect the different communities from the evil effects of certain economic forces operating under war conditions. This memorandum will briefly go to show that these forces are inherent in the present economic system of society and have only been more accentuated since the war.

While the necessity for brevity makes it impossible to go more fully into the problems that arise, it is hoped that enough has been said to show that changes of a fundamental character are necessary before the evils complained of can be completely eradicated.

As the system is the same in South Africa as it is in Great Britain and other countries it cannot be irrelevant to quote the effects in other places where the "machine" has been longer at work. Corresponding figures or statistics are in most cases not yet available in South Africa. While there are certain local colourings in this country which have an undoubted social bearing, they do not in any way affect the working of the system from the strictly economic point of view.

Society as at present constituted is founded on private enterprise and competition, its guiding principles being to buy in the cheapest market and sell in the dearest—to take every advantage of the laws of supply and demand or any other factor which will increase profits. The mainspring of the system is profits (*i.e.*, the desire for wealth).

* As Capital is that portion of wealth utilised to produce more wealth, and as all wealth is due in the first place to the application of labour to the land (or its products), labour takes precedence of capital in importance, hence "Labour and Capital" instead of the generally expressed "Capital and Labour."

CHAPTER I.

PROFITEERING.

The term "Profiteering" was coined in pre-war days by A. R. Orage, the Editor of "The New Age" to denote all trading for profit. Whether the profit was large or small was immaterial. It was thus meant as a condemnation of the present system of private enterprise conducted for profits, as against State, Municipal, Public or Co-operative activities conducted for the use and service of the people. The word "profiteering" has, however, only become familiar since the war, it being interpreted to mean the making of undue or abnormal profits.

In July 1917, Mr. Lloyd George when discussing the question of profiteering stated:

"Profiting is a fair recompense for services rendered either in production or distribution, while profiteering is an extravagant recompense for services rendered."

No attempt was made to define what is fair or what is extravagant.

The word "profiteering" is frequently applied by the purchasing public to any shopkeeper who charges a higher price for an article than they expected to pay.

A Maritzburg magistrate described profiteering as "A crime against the law of God and Man."

A leading South African merchant defined profiteering as "Making a larger gross profit on the turnover than was made in pre-war periods."

If profiteering is defined as making more money than in pre-war days for rendering the same service (*see par. 20 of Report*), then most of the firms whose accounts were examined by the Commission must be included in the category of "profiteering."

The extraordinary increase in the profits made by some of the individual firms can be seen in Table R to the Commission's report.

Dr. Shadwell, the economist, points out that the word profiteering is used indiscriminately to the two following distinct processes:

1. Making money in a favourable market for which the seller is not responsible.
2. Manipulating the market and artificially raising prices in order to make money.

The latter it will be seen is a cause of high prices; the former a consequence.

How much of the profits shown in the Commission's report can be attributed to the cause and how much to the consequence it would be almost impossible to say.

There is evidence to show that individuals have held up supplies against the market in order to force up, or in anticipation of a rise in prices. On the other hand, perhaps the more general cause of the large profits has been due to traders taking full advantage of the laws of supply and demand, and exacting whatever prices the market enabled them to get.

THE PROFITS SYSTEM.

If any proof were required that Mr. Orage was justified in applying the term "Profiteering" to the system there is plenty to be found in the evidence given before the Commission.

When fixing prices a large enough profit has to be allowed to induce the trader to continue trading in that particular commodity.

Manufacturers complain that merchants will not push the local products because they make a bigger profit on the imported article :

Fruit farmers are urged to throw their fruit to the pigs rather than spoil the market.

Ships will not offload at Durban if it pays better to offload at Delagoa Bay.

Potatoes will not be carried if there is a bigger profit on pianos. Farmers will not sell their sheep for mutton if it pays better to keep them for wool.

Rice importations practically ceased when, owing to the rise in price in India and the fixed price here, the margin of profit disappeared.

The farmer will not grow wheat if he can make a bigger profit by growing oats or maize or lucerne, or anything else.

Then again, in order to show the connection between price-fixing and profits, it can be said that it is no use fixing the price of bread unless the price of flour is fixed, and the price of flour cannot be fixed unless the price of wheat is fixed, and if it pays the farmer better to grow something else he will not grow wheat, and if he does grow wheat and the miller makes the flour, the baker will not use it if he can make bigger profit by importing flour. So it might be continued.

There is also the constant struggle between the buyer and the seller, where each in turn when selling tries to get the highest price possible, and when buying tries to buy at the lowest price possible.

It must be apparent that in a system (frequently though wrongly referred to as the survival of the fittest) where the propelling force—self-interest—is operating in every direction, attempts to relieve the position by taking the sharp edges as it were off those forces, can at the best be only palliatives as they treat with effects and not with causes.

Food Controllers and Cost of Living Commissions do not stop the conflict any more than the ambulance stops the fight. What each tries to do is to make it a little easier for those who are being most injured in the struggle.

CHAPTER II.

SUPPLY AND DEMAND.

In accordance with the laws of supply and demand prices were bound to rise after the outbreak of war, as while the demand was constant or increasing, all usual supplies from enemy countries ceased, and in addition there has been an ever-growing demand on the part of the Allied countries for raw materials.

In normal times the trader, consistent with keeping his trade, makes as much profit as he can. It is not surprising therefore to find that in abnormal times he has done exactly the same.

Examples of the extent of normal and abnormal profits can be seen in the Commission's Profit Tables attached to the report.

In addition to the illustrations of the operations of the laws of supply and demand given in the report, a case might be cited where a merchant when giving evidence before the Commission stated that his stock of sheet iron which was not worth £500 before, went up in value to between £6,000 and £7,000. He was not responsible for this

rise in price. Had he sold this iron for £500 the purchaser would have been able to re-sell it at the higher value.

When referring to the making of profits a trader recently summed up the situation as follows:

"I have made more money since the war than I ever made before. I intend to keep on making it, if I can. If an article costs me £1 and I can get £50 for it, I would do so. If I could get £500 for it, I would be a fool not to take it. That is business. Don't blame me. If you want to blame something, blame the system."

It is in order to protect the consumers against these scarcity or replacement prices that Food Controllers, Commissions, and elaborate price and profit-fixing machinery have been established in the different warring countries.

There is a measure of truth in the assertion that high prices stimulate production, and that when in consequence supply overtakes demand, prices fall: therefore to restrict prices or profits is to interfere with the main force that brings supply and demand into harmony. Against this, however, there is still the fact that until supply does overtake demand, the selling prices will be governed by the import prices, and when supply exceeds demand, by the export or world's market prices. In either case the prices might be unduly high as in the case of Wool, Meat, etc.

CHAPTER III.

PRICE FIXING.

So great has the profits instinct become that in spite of a network of food control, price-fixing regulations, and the most drastic penalties for infringement, there have been thousands of prosecutions in the different warring countries.

Almost every step taken to restrict profits and prices gives rise to all sorts of other difficulties, the effect of which in some cases might be even more undesirable than the original position.

This does not mean that the fixing of prices, controlling supplies, or restricting of profits, should not be resorted to: to take up this attitude would be like refusing to bale out the boat because the leak could not be stopped.

As a matter of fact, prices have been fixed with advantage to the consumer in South Africa, and with considerable advantage in other countries.

It has been estimated that the increase in prices in Great Britain is less than one-half what it would have been had no control been exercised. On page 182 of the War Cabinet's Report for 1917 it is stated that since the more drastic Food Control regulations had been enforced there was a reduction amounting to nearly 10 *per cent.* in the average working-class family's expenditure on foodstuffs within a period of six months.

It is quite probable that if the countries at war had not protected their people even to a limited extent, by fixing prices and restricting profits, the excesses of the economic machine in full blast might have brought about its own destruction, as very few of the nations would have tolerated during the war the uncontrolled effects of the laws of supply and demand on their necessities of life.

The War Cabinet's Report shows on every hand the community has had to protect itself against the vicious effect of its own industrial and commercial system.

The following figures taken from the "London Statist" might, in passing, be quoted to show the extent to which a nation, while engaged in a life and death struggle, was made to pay tribute to one small section of its people, viz.: the British Shipowners:

	1913.	1916.
	£	£
Earnings	127,000,000	410,000,000
Expenses	107,000,000	160,000,000
Nett Profits	20,000,000	250,000,000
Profits Tax	nil.	115,000,000
Balance	20,000,000	135,000,000
Capital	192,000,000	200,000,000
Dividends	10½%	67½%

It will be noted that the nett profits in 1916 equalled £50,000,000 more than the total capitalization.

Although large profits are still being made by the ships, the bulk of them are now taken by the Imperial Government (who control the ships and freight) and are used in the further service of the State.

CHAPTER IV.

INDUSTRIAL UNREST.

The making of large profits was not confined to the shipping companies but was general throughout the realms of commerce and industry. It was not, therefore, surprising to find that the spirit of patriotism, sacrifice and service which dominated the masses of the people during the first year or more of the war began to be permeated by a strong feeling of unrest, which later on under the growing burden of the increasing cost of living, broke out in industrial upheavals; strikes becoming general.

It cannot be far wrong to say there have been fewer strikes in South Africa since the war than in most countries. This is probably due to:

1. The increase in the cost of living here not being so great as in other countries.
2. The backwardness of industrial organizations and activity.
3. Wages being increased without strikes being resorted to.

Strikes, however, have not been confined to the Allied countries. In Germany and Austria, though not quite so frequent, they have been on a much larger scale.

Given the same cause and conditions, then sooner or later the same effects are bound to be manifest.

So serious did the disaffection become in Great Britain that in June, 1917, the Prime Minister appointed a special Commission to enquire into the causes of the industrial unrest. This Commission divided itself into eight panels and investigated the causes in eight different divisions.

When dealing with the findings of this Commission the War Cabinet in their report for 1917 state on page 96:

"It was found that the principal cause of industrial unrest was in each case discovered to be attributable to high food prices, the unequal distribution of supplies, and the general belief in the existence of profiteering. There was a widespread demand for a thorough system of food control which should ensure equal supplies being available to all classes, and should also ensure that advantage should not be taken of the shortage to inflate prices. In proportion as these objects are being attained by the present system of food control, the unrest due to these causes may be expected to diminish. On the other hand, it has to be remembered that the workman with his smaller purchasing power has a smaller range of commodities within his reach, and that want of sufficient food tells more hardly on him than on the classes, owing to the physical exertion he is called upon to put forth. Moreover, the rise in wages which he has obtained has not on an average kept pace with the rise in prices, although some classes of workmen are earning considerably higher wages than they were before the war.

"These facts account for the continual demand for higher wages which are put forward in various industries, and make it necessary that increases granted should be based on a uniform and easily-understood principle applied throughout the whole country, namely, on the cost of living. The Ministry of Labour has constantly worked to secure this end, and although it is impossible to regulate wages on entirely uniform lines, the efforts of the Ministry have been directed to securing the greatest possible degree of co-ordination."

Perhaps the most glaring instance of industrial unrest since the war is to be found in the report of the National Industrial Conference Board of the United States of America, where it is shown that during the first six months of America's entry into the war there were nearly 3,000 strikes in the United States in which over 280,000 employees were made idle and 6,285,519 days of production were lost. Higher wages to meet the higher cost of living were reported by the Board to be the most frequent cause of the strikes.

The number of strikes in Australia in 1915 was 358, and in 1916, 508, while there has been a considerable increase in 1917.

In proportion to its population there are three times the number of strikes in Australia than in any other country. This, as will be shown later, is because of the success of labour legislation in some directions and its failure in others.

It will be seen from the extract of the War Cabinet's report that "the rise in wages which the working classes in Great Britain have received (either through strikes or otherwise) have not on an average kept pace with the rise in prices." So that what the working classes during the war have been doing, is not improving their position, but merely trying to adjust it so that they can reach or maintain their pre-war standard of living.

As far as South Africa is concerned, there is a notable exception to the above position, viz.: the case of the Power Station engineers employed by the Johannesburg Municipality. When demanding £8 2s. per week they refused to admit they were not entitled to ask for a wage which was higher than the estimated increase in the cost of living. They contended that the market value of their labour was governed by the laws of supply and demand, exactly the same as other commodities were governed. If the farmer and merchant could take full advantage of the laws of supply and demand and could refuse to sell their goods for less than their market value, they failed to see why they, the engineers, should be compelled, or expected, to sell their goods (that is their labour power) for less than they thought they should get, or why they should be confined to their pre-war standard when nobody else was.

If this attitude were generally adopted by the working classes it would at once bring them into line with the business or trading sections of the community who are allowed to function uncontrolled, or if controlled, to function on better terms than their pre-war conditions. This position at once challenges the viewpoint of the Ministry of Labour, which is "that demands for higher wages makes it necessary that increases granted should be based on a uniform and easily understood principle, namely the cost of living."

When owing to increased cost of production or a desire for higher profits a trader withholds a commodity from the market until he can obtain the increased price, there is little or no dislocation of industry. This every-day adjustment passes unnoticed. When the worker owing to increased cost of production (living expenses) withholds his commodity (labour power) from the market until the buyer pays the increased price, industry stops and the economic adjustment is called a "strike."

CHAPTER V.

WAGES AND PRICES, PROFITS AND LABOUR.

The granting of higher wages frequently provides the justification or excuse for still higher prices, so that the game of wages-chasing prices has now become the rule. *

In this "catch-as-catch-can" economic scramble the employing class, or owners of the machinery of production, distribution and exchange, have always got the first and last pull. Through their control of capital and supplies they are generally in a position to recover much more in some cases than they lost by conceding higher wages.

The Secretary for the Department of Labour in Victoria draws attention to a striking instance in 1916 when the coal miners of Australia were awarded an increase in wages of 15 *per cent.*, by Mr. Justice Edmunds. This involved an extra sum of £390,000 per year to the mine-owners. Under the same award, however, the mine-owners were allowed to increase the selling price of their coal by 3s. per ton, which meant realising on their total output the extra amount of £1,350,000.

As this recovery is obtained at the expense of the consumer, it means in order that one section might have higher wages other sections are penalized, and they in their turn demand higher wages to meet the higher cost of living. †

As officially recorded in Great Britain, so in Australia the increase in wages has not kept pace with the increased cost of living.

In the Labour Report No. 7 of 1917, Mr. Knibbs, the Commonwealth Statistician, shows that although the average wage of the Australian worker has increased from £2 3s. 5d. in 1901 to £3 0s. 8d. in 1916, an increase of 39.6 *per cent.*, the increase in the cost of living for the same period is 50.7 *per cent.*

* Under certain conditions wages might rise and prices fall, as when sometimes happens increased productivity follows a rise of wages, or when increased supplies come in the market from other sources.

† There is a limit, however, to this as higher prices might mean decreased consumption and loss of trade. If the demand is maintained, the larger profits will attract capital from less remunerative activities, and this in turn will affect prices and profits until equilibrium is again restored.

Capital, like Labour, is always looking out for the best opening, but being much more mobile can more readily take advantage of it.

This leaves the Australian worker, in spite of the thousands of disputes and strikes, 11.1 *per cent.* worse off as far as real wages go, than he was 15 years ago.

Board of Trade figures show that while wages in Great Britain rose 13.3 *per cent.* between 1895 and 1908, the retail price of food during the same period increased by 17.2 *per cent.* As these figures are for what might be termed a normal period it is interesting to note how close the proportional increase is to the Australian figures which include the war period.

It must, therefore, be seen that, as prices can always keep ahead of wages, the wage or salary earner of to-day earning £5 per week would be no better off if he received £100 per week and had to spend it on rent, food, and the other necessities of life.

In the economic world a worker is not a human being but a commodity called labour. The price of labour (wages) is governed by the same factors that govern the cost of other commodities, that is, its cost of production (living expenses) and the fluctuations of supply and demand above and below this cost. So that the cost of producing labour equals the labourer's standard of living.

This is why it is that between towns, districts, and countries, wages vary to a considerable extent for similar work performed. A native in South Africa off-loading a ship will receive about 2s. 6d. a day. A coloured man doing the same work will get 4s. per day. A white labourer will receive about 6s. or 7s. a day, while an Australian dock labourer or "Wharfie" as he is called, demands and gets 14s. per day.* They all do exactly the same work, and the quantity cannot vary to any great extent. The chief difference is they each have a different standard of living. The native's wants are so few that he can live and reproduce his species on from £3 to £4 per month, while the Australian "Wharfie" demands a standard of living equal to 14s. per day.

The same principle can be observed in the payment of lower wages to female workers. It is assumed they have only themselves to keep, consequently their cost of living must be lower than that of a man, who is, or might get married, and/or have other dependents.

Girls when living with their parents often receive still lower payment. Because the parent pays part of their cost of production (living expenses) the employer feels justified in paying less wages.

As the principle of equal pay for equal work becomes more general it will mean the rising of the lower paid worker in each class to that of the higher, but it will not increase the standard of the latter.

The following two essential facts then emerge:

1. The nominal or money wage is of little importance; what is important is its purchasing value.
2. Its purchasing value can never exceed what it costs the worker to live according to his accepted standard.

Moreover there is no possible escape from this position as long as Capital owns and controls the necessary commodities—which in the first place were produced by labour—and the worker, in order to live, has to buy them back out of wages.

While it is true that speaking generally the standard of living of the worker has improved during the past 50 or 100 years his position can

* The wharfside labourer in Australia, although doing unskilled work, has, by means of his industrial organization, raised his wages to 1s. 9d. per hour, which is higher than the wages paid to most of the skilled tradesmen.

only be viewed to-day in perspective to the all-round improved standard of life in consequence of the greater wealth production. From the point of view of equally sharing in the increased wealth produced, statistics go to show that the worker is being badly left all the time.

The commonplace statement of to-day that the rich are getting richer and the poor are getting poorer was evidenced in 1843 when in the House of Commons, W. E. Gladstone said :

" While there was a decrease in the consuming powers of the people and an increase in the productions of the operative classes, there was at the same time a great accumulation of wealth by the upper classes and a constant increase of capital."

According to Board of Trade returns, profits rose from £674,000,000 in 1893 to £1,010,000,000 in 1908, or 49.8 *per cent.*, while during the same period wages only increased by 12 *per cent.* Between the years 1900 and 1908 profits rose 12.5 *per cent.*, while wages only rose 1 *per cent.*

The same forces at work then have been at work ever since. In order to show how effective they still are in favour of capital the following figures are taken from Mr. Knibbs' Commonwealth Year Books 1910 and 1915.

All manufacturing trades in the Commonwealth.

	1910.	1915.
Number of employees	266,661	321,071
Average wage earned in a year ...	£79 3 0	£103 8 0
Total value of finished output ...	£105,958,328	£169,086,700
Average value of finished output per employee	£397 7 0	£526 12 0

Therefore:

The increase in wages per employee for the seven years was	£24 5 0
The increase in the value of output per employee for the seven years was	£129 5 0

From this it can easily be seen that wages paid, or increases given, are not governed by the values (or increased values) produced.

A native digging for diamonds will receive the same wage as a native removing manure. If the gold mines could be worked entirely by natives, the wages and salaries paid would be reduced to the native's standard yet the gold produced would be exactly the same value as when won by the white staff.

Every dispute and strike for higher wages or better conditions is merely the outward manifestation of one section of the workers after another struggling to obtain a better standard of life out of the total wealth.

To the employer the worker only represents so much labour power to be bought like any other commodity as cheaply as possible and set down as one of the items of expense in his business.

To the worker his labour means his life.

There can be no social or economic stability while human life is treated as a commodity on a par with merchandise.

Furthermore the system of payment by wages compels labour to be a commodity and its escape from this position is an economic impossi-

bility. No reform or improvement "within the system" can alter the workers status or relation to society. The only way out is by the abolition of the wage system and an economic and social reconstruction on the lines advocated in other chapters of this memorandum.

CHAPTER VI.

LABOUR v. CAPITAL.

Higher wages can only be drawn from extra wealth created, or from profits. If national production was a fixed quantity, higher wages could only be granted at the expense of profits.

The margin between wages and values is not a constant or fixed quantity. Many factors operate to influence their amounts both independently and relatively.

On the average labour receives as wages from 30 *per cent.*, to 40 *per cent.*, of values produced. The surplus value—or unpaid labour, is taken by Capital in the shape of Rent, Interest and Profit. While wages will be limited by the value of a product, the value of a product will not be limited by wages.

If value is taken as 100, wages might be represented by 75 and Capital by 25, or wages by 25, and Capital by 75.

If by increased production wealth is increased say by 20, Labour might get as its share of this extra value, 5 and Capital 15, or *vice versa*.

This tug-of-war as to their respective share of the wealth produced is the conflict which has been going on for years between Labour and Capital. Its continuation under the present system is inevitable.

"LABOUR v. CAPITAL.

"I see in the near future a crisis approaching, that unnerves me and causes me to tremble for the safety of my country. As the result of war, corporations have been enthroned, and an era of corruption in high places will follow, and the money power of the country will endeavour to prolong its reign by working upon the prejudices of the people until all the wealth is aggregated in a few hands and the Republic is destroyed. I feel at this moment more anxiety for the safety of our country than ever before, even in the midst of war. God grant that my foreboding may be groundless.

"It is assumed that labour is available only in connection with capital, that nobody labours unless somebody else owning capital, somehow by the use of it, induces him to labour. Labour is prior to and independent of capital. Capital is only the fruit of labour, and could not have existed if labour had not first existed. Labour is the superior of capital, and deserves higher consideration. I bid the labour people beware of surrendering the power which they possess, and which, if surrendered, will leisurely be used to shut the door of advancement for such as they, and fix disabilities and burdens upon them until all liberty be lost."—*Abraham Lincoln*.

CHAPTER VII.

LABOUR.

Labour (which is the foundation of all value) is the skill of the mind and the strength of the body applied in service.

Too frequently it is interpreted to mean only the manual worker.

Included in its category must come the professions, managers, inventors, supervisors, civil servants and every person whether rich or poor who renders a useful social service.

The capitalist in so far as the application of his ability and energy is concerned must also be included in the ranks of Labour.

This labour power of the Capitalist must on no account be confused with the power by which the *ownership* of land, machinery or other capital enables him to exact rent, interest and profit from the labours of others.

For the labour service he renders he is entitled, along with other workers, to be rewarded on his merits.

CHAPTER VIII.

CAPITAL.

Capital is that portion of wealth utilised to produce more wealth. It is the product of labour and Labour's auxiliary factor for further production. Without labour it is useless.

Mr. Walter Jones in "National and Municipal Finance" says:

"What would happen if all the workers positively refused to do any work of any kind for three short months? All the boasted capital would be a useless scrap heap, and the whole Empire one big cemetery for rich and poor, alike."

Society's quarrel (industrial unrest) is not with capital but with the power its possession gives to its owners—the private capitalists—over the lives of others.

While it is true that Society cannot do without capital it is becoming more apparent that it cannot do with the capitalist.

To such an extent has capital accumulated and become concentrated in the hands of a comparative few that instead of it proving a blessing to mankind it has almost become a curse.

Only by the transference of this power from individuals who now use it for personal gain—to the community who will use it for the common good, can relief be obtained. Just as the man who owns the land owns the people on the land, so the man who owns the machinery of production owns the people who are dependent on it for their means of subsistence.

The following statement made by a well-known American Senator reveals the power of money or "Big Finance."

"There are fifty men in the City of New York who can, in twenty-four hours, stop every wheel on all the railways, close every door of our factories, lock every switch in every telegraph line, and shut down every coal and iron mine in the United States because they control the money of the country."

Capital and ability are not synonymous terms. The owner of capital may or may not have ability. If he has both ability and capital and uses them for personal gain, then he is all the more dangerous to Society. To-day the man of ability is with few exceptions the paid servant or labourer of the man of money. Many of the World's greatest inventions have been due to the labour of poor men, most of whom have died poor.

Of both £5's
Some must not
be considered
as right
according to
property, it must
be earned

Ability could not be better represented than by the British Judges. They receive £5,000 per year. Compare this sum and the service rendered with the fabulous incomes of large land-owners and other capitalists, many of whom have no ability and render no service.

The most valuable services rendered to mankind have not been done for monetary gain. The greatest incentive to service is, and always has been, the pride and pleasure of rendering service.

Ability can only function through labour service. Labour service whether rendered by a millionaire, a pauper, or a duke, is entitled to be remunerated in proportion to the value of such service due regard being paid to the value of other services and the total wealth produced.* While this rewards service according to merit it entirely eliminates the present day power which enables the owner of Capital to take half the wealth socially produced merely by virtue of such ownership.

Out of the total wealth of Great Britain some £700,000,000 is taken each year for Rent and Interest alone.

Rent: The land or property owner can sit in idleness and exact the first share of the wealth produced from his land. The greater the production the higher the rent. His demand is only limited by the competition of other land and property owners.

Adam Smith wrote:

"As soon as land becomes private property the landlord demands a share of almost all the produce which the labourer can either raise or collect from it. His rent makes the first deduction from the produce of the labour employed on the land."

"As soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they never sowed and demand a rent even for its natural produce."

"The widow," says Carlyle, "is gathering nettles for her children's supper. A perfumed landlord lounging delicately in Paris has an alchemy by which he will extract from her every third nettle and call it rent and law."

Interest: Usury, or unearned increment, is the amount charged for the loan or use of capital.

As more money is paid in interest than in wages, the business of lending has become more profitable than the business of working. On this subject Ruskin writes:

"Usury is properly the taking of money for the loan or use of anything (over and above what pays for wear and tear) such use involving no care or labour on the part of the lender. It includes all investments of capital whatsoever returning 'dividends' as distinguished from labour, wages or profits. Thus anybody who works has a right to wages for his work; any Inspector has a right to payment for such inspection; but idle persons who have only paid one hundred pounds towards the road making, have a right to a return of the hundred pounds—and no more. If they take a farthing more they are usurers. They may take £50 for two years, or £5 for twenty years; but the

* If it could be assured that every unit rendered the utmost service according to his ability and energy, and that such service was necessary, then it might be fair to distribute the wealth in equal proportions. Until this consummation is within reach, it cannot be unfair to remunerate according to merit.

first farthing they take more than their hundred, be it sooner or later, is usury.

"And thus in all other possible or conceivable cases the moment our capital is increased by having lent it, be it in the estimation of a single hair that hair's breath is usury, just as much as the stealing of a farthing is theft, no less than stealing a million.

"But usury is worse than theft, in so far as it is obtained either by deceiving people or distressing them, generally by both; and finally by deceiving the usurer himself, who comes to think that usury is a real increase, and that money can grow out of money; whereas all usury is increase to one person by decrease to another; and every gain of calculated increment to the rich, is balanced by its mathematical equivalent of decrement to the poor."

Again "Any honest and sensible reader, if he chooses, can think out the truth in such matters for himself. If he be dishonest, or foolish, no one can teach him. If he is resolved to find reason or excuse for things as they are, he may find refuge in one lie after another; and dislodged by each in turn, fly from the last to the one he began with. But there will not long be need for debate nor time for it.

"Not all the lying lips of commercial Europe can much longer deceive the people in their rapidly-increasing distress, nor arrest their straight battle with the cause of it."

Mr. Walter Jones in his useful little book, previously referred to, cites a case where a municipality borrowed £16,000 to erect a Market Hall. The ratepayers have already paid £70,000 for the use of the £16,000 and they still owe the £16,000.

The tribute which unearned increment levies on the people is colossal. Whereas in the olden days it was looked upon as immoral to charge interest or usury, to-day it is almost looked upon as immoral to suggest that interest should not be charged.

Banking: When war broke out in 1914 there was a crisis in banking circles. The British Government had to come to the banks assistance. They sanctioned the issue of millions of £1 notes, all of which were backed by Government security.

In April, 1904, Treasury Bills to the amount of £2,000,000 were discounted by the London and Westminster County Bank. These bills have been renewed year by year and in 1914 the interest and renewal charges had cost South Africa £1,900,000 and the £2,000,000 was still owing.

The total loans of the Johannesburg Municipality is £5,500,000. As these loans don't mature until 1933—1934 it will mean that interest to the amount of about £7,000,000 will have been paid for the use of the £5,500,000 and the £5,500,000 will still be owing. Flotation charges amount to £316,000, while the yearly interest of £250,000 absorbs two-thirds of the total revenue from rates.

Over 33 *per cent.* or nearly £7,000,000 of the Union's total expenditure is paid away for interest every year to banks and other money-lenders.

There is no reason why a State or municipality or community should not only finance its own services but finance them without charging itself any interest at all.

The State of Guernsey shortly after the Napoleonic wars financed itself in certain respects on its own note issue without charging itself any interest. One issue was for £4,500 to build a market. The notes were promises to pay on demand, guaranteed by the State and accepted by tradesmen, and were all redeemed (partly out of the profits the market made) at the end of ten years.

The Australian Government through the Commonwealth Bank issue their own notes, such issue being backed by a larger gold reserve than private banks hold against their note issues.

Profit is what is left of the surplus value—or unpaid labour, after Rent and Interest have had their share. It is the power which enables Capital's three non-producing but tribute-levying factors, Rent, Interest and Profit, to take the bulk of the wealth produced by others, that is the chief cause of the social and economic evils of society.

Capital has often been defined as the reward of abstinence. On this subject Henry George writes:

"Abstinence is not an active, but a passive quality; abstinence in itself produces nothing, why then should any part of what is produced be claimed for it? Accumulation is the end and aim of abstinence. Nor of itself can it even do this. If we were merely to abstain from using it, how much wealth would disappear in a year? And how little would be left at the end of two years?"

It is often asserted that Capital is necessary to start and maintain industry. While this might be true to a certain extent it is too often forgotten that industry once started frequently replenishes its capital as fast as it is consumed by means of writing off depreciation out of profits. By this means, apart from the interest and profits earned, the whole of the Capital is paid back at the end of a given number of years.

One South African manufacturing firm with a capital of £140,000 has written off during the last four years an amount totalling £67,000 for depreciation.

Perhaps the most glaring example of an industry replenishing its own capital is the case of the De Beers Diamond Mines, whose profits have so much exceeded the dividends paid to the shareholders that the surplus has been sufficient to allow of their writing down their plant until it stands to-day in the published balance sheets at a value of £1, although its market value would run into hundreds of thousands of pounds.

CHAPTER IX.

THE WORKER.*

At the outbreak of the war Britain was supposed to be at the height of its prosperity.

The national income was over £2,000,000,000.

Production was greater than ever before.

The Income Tax and Trade Returns were breaking all records. On every hand there was striking evidence of great wealth. In the midst of it all there was even more striking evidence of greater poverty.

Millions were doomed to live in slums, misery, and squalor, in order that a few thousands could live in affluence.

Every year from two to three million persons were in receipt of Poor Law Relief on which £17,000,000 was being spent.

Ten millions a year were also being spent by charitable organizations.

* The term "worker" is here used to mean the large mass of people to be found in every country who receive a small salary or wage for rendering a mental or manual service.

Twelve million people were living on the border line of starvation—that is the weekly income of the family was not more than 21/8, which was the Booth and Rowntree estimate of the cost of barest subsistence.

The mass of the people were realising more and more that all the wealth they produced was outside their reach. Without studying economics they instinctively felt that something was wrong. They were not getting a fair share in the national deal. Unemployment and industrial unrest were rampant. Millions were overworked and underfed. There were generally from 500,000 to 1,000,000 unemployed. No matter how willing or able a man was to work, he had to starve until he could find another man who gave him the opportunity to earn his daily bread.

The bootmaker's children, with the rest, went barefooted and cold because their father was out of work. Unemployment meant no pay. The father was out of work because with the aid of machinery he had made too many boots. The owner of the boots had got his warehouse stocked and said there was no demand for boots, yet on all sides and in every street there was a visible and crying demand. The boots would lie until another man, perhaps in a foreign country, offered to buy them. This would be the signal for a fresh start and the bootmaker would be re-employed to fill the warehouse or supply the demand. When he had made too many boots again he got the sack. This was called over-production. What it really was was under-consumption. Could anything be more tragic than that the workers should be reduced to beggary because they produced too much? With the commercial demand jumping up and down and from one thing to another unemployment was an unavoidable consequence of the system. Employment was spasmodic. The prices for food were getting higher, while the real wage was getting less.

The nation was divided into two classes—those who lived by labour and those who lived by ownership.

The conflict between Labour and Capital was being waged with more and more intensity. A million coal miners had brought industry to a standstill by the end of a six week's strike. The Cabinet sat all night. Parliament passed a Minimum Wage Bill, which a few weeks before it had decided was impracticable.

The railway workers went on strike for the modest minimum wage of £1 per week.

In every town and district smaller strikes were being fought with increasing hatred and bitterness.

Labour leaders and Trade Union officials were being swept off their feet by the surging rank and file.

Strikes were not so much disputes as displays of resentment and anger against society.

The days of sectional strikes were nearly finished. The slogan of "An injury to one worker is an injury to all" was being taken up throughout the land. The response was the federation of over two million workers representing the miners, railway, and transport workers, into an organization known as "the Industrial Triple Alliance." The employers had got their backs to the wall and were fighting every inch of the way. They refused to recognise the mens' Trade Unions and industrial organisations. They held that no body of employees had any right to be consulted by them or interfere in their business affairs. The worker was informed that all he had to do was what he was told and "if he didn't like it he could clear out."

In South Africa there had been a general strike. Under Martial Law rioting took place, people were shot, hundreds were imprisoned, and nine strike leaders were deported without trial.

The workers were sullen and smarting under their defeat by force of arms.

The position was just the same in other countries.* Strikes in Italy, strikes in France, strikes in America. Bread riots in Vienna. Strikes and extension of the socialist movement in Germany and Russia. From every platform, press and pulpit, in all languages, the chief subject was the industrial unrest. The problem was how to reconcile Labour and Capital. There was a general policy of despair. A burning question was how to deal with the mass of unemployed. Many disposed of it by saying the men were not so much unemployed as unemployable—they did not want work and wouldn't do it if they got it. "Wasters" and "Stiffs" they were frequently called. "Looking for work and praying they wouldn't get it," etc., etc.

Meanwhile the State stood by and watched the conflict. Occasionally it acted as mediator. Conferences would be held, settlements arrived at and agreements made just in time for them to be broken again.

The workers were loud in demanding the "right to work." This request was turned down with scorn as being far too socialistic and impracticable. If the private capitalist could not find work for the unemployed how could it be expected that the State could?

Some one suggested Labour Exchanges. This was looked upon as a tremendous step forward in solving the problem, in spite of the fact that it did not create one extra day's work except for the staff. Schemes for insuring the people against unemployment and sickness were being feverishly passed.

The situation here outlined cannot be termed an exaggeration of the social and industrial situation when the posters announced "WAR DECLARED."

CHAPTER X.

NATIONAL SERVICE.

When the war broke out the "Stiff" became the hero. The State that could do nothing radical to assist and protect its citizens from starvation at once demanded their assistance for its protection. Whereas before it could not provide employment for anybody the State now found work for everybody—including the "unemployables." The plaintive plea of the workers for the right to work was converted into a demand by the State for their work. It was discovered it was the Capitalist, as such, who could be done without and not the worker. Many industries, including the railways, were taken out of private control. The ruptured nation became united. The State that could do nothing now did everything. In all essential work competition for private profit gave way to co-operation for national

* World's Strikes in 1914.

Country.	No. of Strikes.	No. of disputes per 100,000 inhabitants.
Australiat	337	6.8
United Kingdom	999	2.2
Italy	740	2.1
Germany	1,213	1.8
France	659	1.7
United States	1,080	1.1
Canada	44	.54

The number of strikes in Australia in 1915 was 358, equal to 7.3 per 100,000 inhabitants. The number of strikes in Australia in 1916 was 508, equal to 10.3 per 100,000 inhabitants.

service." In this connection what might be termed a revolution has been wrought in the structure of Society.

Under the heading "Social and Economic Progress" the War Cabinet in their report for 1917 state:

"No record of the year would be complete which did not point out the change which has been wrought in the structure of society by the experience of war. In the first place the organic life of the community has been greatly strengthened. On the one hand, not only have enormous numbers of men, and latterly of women also, been mobilised for military and naval purposes, but the vast majority of the people are now working directly or indirectly on public service. If they are not in the Army, the Navy or the Civil Service, they are growing food or making munitions, or engaged in the work of transporting the national supplies. On the other hand, the State has taken control for the period of the war over certain national industries, such as the railways, shipping, coal and iron mines, and the great majority of engineering businesses. It has also made itself responsible for the securing of adequate quantities of certain staple commodities and services, such as food, coal, timber and other raw materials, railroad and sea transportation, and for distributing the available supplies firstly as between individual and individual in the national interest.

"The Government has further had to regulate prices and prevent profiteering. It has done so partly by controlling freights, fixing maximum prices to the home producer and regulating wholesale and retail charges, and partly by its monopoly of imported supplies . . .

"The State has even taken the drastic step of fixing the price of the 4-lb. loaf at 9d., at a considerable loss to itself. Thus the war has brought about a transformation of the social and administrative structure of the State, *much of which is bound to be permanent.*

"In the second place the war has profoundly altered the conditions of the industrial problem. Since 1914 *the community itself has become by far the greatest employer of labour.* It has assumed control for the duration of the war over a great number of the larger private undertakings; it has limited profits by imposing so much *per cent.* Excess Profits Tax, and it has intervened to prevent profiteering in the essential requirements of the nation."

This simply means that the community controlled its own business instead of leaving it to the capitalists and private enterprise.

It might not be out of place to quote several further brief extracts from the War Cabinet's report:

National Service (page 81):

"Since those early days it has been an ever-increasing difficulty to satisfy the national requirements of man power.

"There is work now for all to do, and even those usually classed as unemployable are now usefully employed."

Shipbuilding (page xi)

"During 1917, 1,163,500 tons of new ships were built as against 542,000 tons in 1916, and by the end of 1918 the rate of output of all ships, war and merchant, ought to be double that of any previous year in British history.

This only shows what can be done when the national mind and energy are brought to bear on the urgent need of supplying necessary requirements.

Then, again:

The Industrial Problem (page xvi):

"The nation to-day is far better organised and far more productive than it has ever been before. The effect of these changes on the supply of national needs, on foreign trade, on employment, on the provision of capital after the war, is quite incalculable. But it is bound

* The principle is not affected because production was for war service.

to be enormous. The satisfactory settlement, however, of the tremendous problems which lie ahead will largely depend upon the mutual relations between employer and employees. Unless these improve, rapid and orderly progress will be almost impossible."

From the facts above stated, the suggestion at once arises, if the community can do so well in organising and producing its munitions of war, is there any reason why it should not continue to organise and produce its munitions of Peace? It should not be very difficult for the nation to produce its own shoes instead of shells, or houses instead of howitzers, or clothes instead of cordite, or bread instead of bayonets.

It would also appear as if there is no real need for any "tremendous problem between employer and employee" seeing that when the nation is engaged in national service the employee becomes the part employer and, what is more important, the part owner of the products.

As all commodities are *socially produced*, the question arises why should they be *privately appropriated* by a handful of persons who first extract two-thirds for their own luxury, comfort and use, and then by selling the remaining one-third to the workers, take all the wages paid for producing the lot.

It is interesting and significant to note that while Capital, or the employing class, are now passing resolutions urging the withdrawal of State control over industries as soon as the war is ended, Labour organisations, or the working classes, are passing resolutions demanding that the industries now controlled by the State shall remain under its control. This suggests there is little hope of industrial rest if industries are going to continue to be run by private enterprise for personal profit.

The experience of the war suggests, that the solution to the "tremendous problem between employer and employee" would appear to lie in the direction of eliminating the employer and placing him in the ranks of the employee, where his ability and service would be rewarded on their merits.

In consequence of the great industrial upheavals and troubles which followed the Napoleonic wars, the masses in Great Britain obtained a fuller measure of political liberty, and citizenship. It might be that in consequence of the present war the masses will demand industrial liberty—in other words economic citizenship.

The steps of emancipation achieved by the worker in his relation to society will then have been from slave to an owner, servant to a master, employee to an employer, and finally a full partner in the political and economic structure.

CHAPTER XI.

WEALTH DISTRIBUTION.

Just as the 19th Century solved the problem of production, so the 20th Century will have to solve the problem of distribution.

The question is how to prevent want in the midst of plenty? Poverty in the midst of wealth is an anachronism.

Under the present system the greater the wealth produced the greater the burden on the worker, as the latter has to produce so much more wealth to provide the additional interest on the increased wealth.

Production which in Great Britain has now reached over £2,000,000,000 a year could be multiplied ten-fold and leave the mass of the people worse off than before.

Mr. James Bryce in the "American Commonwealth" says "Up to 1840 there were no great fortunes, few large fortunes, and no poverty: and now, 72 years later, there are 500 millionaires and three million paupers."

In 1910 an American Statesman said that the monied class of America mustered 9 *per cent.*, of the population and owned £13,400,000,000 or 70 *per cent.*, of the country's wealth. The middle class number 21 *per cent.*, and owned 25 *per cent.*, of the wealth, while the workers numbered 70 *per cent.*, and owned 5 *per cent.*, of the country's wealth which totalled £19,160,000,000.

Mr. Chiozza Money in "Riches and Poverty" (from which valuable book a number of the figures quoted in this memorandum are taken) calculated from official records that out of the 700,000 persons who die every year in the United Kingdom 620,000 die almost penniless, while 80,000 leave property to the value of £300,000,000 and of this sum £200,000,000 is left by only 4,000 persons.

He also shows that out of every £1 of wealth produced "*those who work*" get approximately 6s. 8d. while "*those who wait*" get 13s. 4d. In other words the worker only gets paid for one day's work in three; Rent and Interest taking 6s. 8d. or one day for the loan of the Land and Capital, and Profits taking 6s. 8d. or one day for the loan of the tools.

The recent South African Industrial Census Returns show in the case of the 5,300 factories in the Union that after the cost of materials—fuel, light, etc., had been met, the approximate added value of £20,000,000 was divided as follows:—

Expenditure on Wages & Salaries (Labour & Ability)	£10,436,000
Capital (Rent, Interest & Profit)	9,500,000
	£19,936,000.

As the total number of employees in the factories were 123,400, the average wage was £84 per year (the Europeans averaging £168 and Coloured and Natives £35).

No mention is made of the number of persons who receive the rent, interest and profit from the 5,300 factories.

As the above figures only apply to factory operations the proportion taken by labour is higher than the average would be if agriculture and other work were included.

One manufacturing firm whose accounts were examined by the Commission shows that the total value of their products for the year 1917 was over £400,000. The wages amount to £16,000 and the salaries £2,300, while the cost of materials, fuel, light, etc., came to £246,500, the profit being over £150,000 out of which Income and Excess Profits Tax had to be paid.

Another firm's figures for 1917 show the total production valued at £140,000. Wages paid were £5,587 and salaries £2,346. After cost of material and other expenses had been met the profit made was £27,500 or three and a half times the salaries and wages paid.

Another manufacturing firm which produced goods to the value of £740,500 in 1917 shows wages and salaries at £104,000. The cost of material and all other expenses amounting to £565,000 leaving a profit of £71,000. In the expenses, however, are amounts totalling £78,000

for Reserve Fund, depreciation, interest and redemption—all benefits to Capital. If these are added to the profit of £71,000 it makes £149,000 for Capital, as against £104,000 for Labour and ability.

In 1918 the total income of the United Kingdom was £1,844,000,000. About 5 million persons took £909,000,000 or nearly half, while about 40 million persons took £935,000,000.

The average wage earned by the estimated 15,500,000 manual workers is 21s. 3d. per week, which after allowing for the average unemployment period each year reduces the yearly wage to £46 15s. per employee.

The number of persons out of the population of 45 millions who earned incomes over £160 per year (that is paid income tax) was only 1,100,000. Out of this number 820,000 received an aggregate income of £275,000,000 while 280,000 persons received no less than £634,000,000.

The total amount received by the 15,000,000 manual workers was £703,000,000.

Out of an approximate European population of 1,400,000 in South Africa there are only 48,245 persons who receive incomes over £300 per year. These 48,245 share an aggregate income of £35,734,291. There are no figures available to show what the rest earn.

One half of the entire income of the United Kingdom is enjoyed by 12 *per cent.* of the population and more than one-third is enjoyed by less than one-thirtieth of its people.

Out of the huge accumulations of wealth created by the labour of the British worker, some £3,000,000,000 has been invested in foreign countries.

It must, therefore, be obvious that under the Wages System no matter what wealth the workers produce all they can possibly get is a subsistence wage (according to their accepted standard of living) week by week, while they are actually employed in producing such wealth.

It is the power to control supplies from their source that is the solution to an equitable distribution. Under the present system the owner of the machinery or tools owns and controls the commodities. He might and does sell them to another Capitalist who stands between the owner and the producer who is now the waiting consumer. This capitalist (merchant) might sell them to another one and each in turn make more money for merely passing them on than the worker received for producing them. The Cost of Living Commission Profits Tables show the large sum charged and the profits taken for distribution.

A much more equitable distribution of the wealth is then what is wanted. This does not mean (as certain people would have us believe), a big divide up to-day and then another divide up in a few years time when some are poor and others are rich.

Wealth is not so much past production or accumulations, but rather what is being produced day by day. The equivalent of at least every day's consumption and depreciation has to be produced every day.

There is no reason why the distribution could not be directed into the homes and the lives of the masses instead of into the lives of the few as the figures now show.

It is true that even with a fair distribution some would spend it all, while others would save. There would still be rich and poor. But there would be this essential feature: the industrious poor would not be compelled to keep the idle rich in luxury, and the poorest would never receive less every week than his fair share and no one could receive more. As each week they received the full reward of their

labours and also equality of opportunity, no injustice would be done. What each cared to do with their payments would be entirely a personal matter. There would still be personal and privately owned property but the Land and Capital necessary for the people's maintenance would be under common ownership and control.

If each worker received the *full reward* of his labour, "labour power" would at once cease to be a commodity in the market with its price governed by its cost of production.

As wages is the name given to the price of labour (while it is treated as a commodity) the abolition of this system means the abolition of the Wages System.

The Wages System would, therefore, be substituted by a system of payment or reward in accordance with the service rendered. To quote Chiozza Money:

"To deal with causes we must strike at the Error of Distribution by gradually substituting public ownership for private ownership of the means of production. In no other way can we secure for each worker in the hive the full reward of his labour.

"So long as between the worker and his just wage stands the private landlord and the capitalist so long will poverty remain, and not poverty alone but the moral degradations which inevitably arise from the devotion of labour to the service of waste.

"So long as the masses of the people are denied the fruit of their own labour, so long will our civilization be a false veneer and our every noble thoroughfare be flanked by purlieus of shame."—*Riches and Poverty.*"

CHAPTER XII.

POST-WAR LABOUR PROBLEMS.—CO-PARTNERSHIP AND PROFIT SHARING SCHEMES.

At present post war, industrial, and labour problems are engaging prominent attention in all countries.

It is generally admitted that pre-war conditions of labour have got to be improved upon.

Whereas for the past century employers have refused to even recognise their "Hands" it has now almost become the fashion to admit that the "Hands" are entitled not only to be recognised and consulted, but also to take a share in the management for the promotion of greater efficiency and also a share in the profits.

The chief solution which appears to be finding favour (even amongst some workers) is co-partnership, profit and management-sharing schemes which may be summed up as follows:

Labour to co-operate with Capital in the management of industry (on the lines of the famous Whitley report) for the purpose of obtaining greater efficiency and increased production out of which higher wages and/or a share of the profits can be paid.*

It is not surprising to find that in view of the long and bitter struggle which labour has had in the past (first for the right to combine and then for recognition) that the more conservative of the labour

* "An equally vital post-war matter would be the relations between Labour and Capital. He believed that Mr. D. H. Whitley, M.P., (Chairman of the Committee on Industrial Problems), had laid the solid foundation of a settlement."—(Mr. Asquith, January, 1918.)

leaders are welcoming the above proposals as a satisfactory solution of the Labour *versus* Capital conflict.

It is frequently stated that as the employer and the employee have a common interest they should work together without friction.

While a community may have a common interest in providing the wherewithal to prevent its members from starving or for the common protection of their State from outside interference, the interests between Labour and Capital as to their respective share of the wealth produced are diametrically opposed. No lasting adjustment has yet been made whereby the two parties recognise each others right to a specific share of the wealth based on some definite principle. In the first place both wages and profits are affected in so many ways by different economic forces that such an understanding (with any degree of permanency) is not likely to be arrived at. In the second place as it pre-supposes that Capital (or money power) has equal or comparable rights with labour it is unjust in its conception and cannot, therefore, survive.

There are many profit-sharing and co-partnership schemes now in existence. Each has met with a certain measure of success, mainly owing to their being exceptions to the ordinary run of businesses. The idea of getting even a small share in the profits gave the workers an element of interest in the industry. It has been shown that the average profits received by the workers engaged in co-partnership and profit-sharing concerns amounts to 5.5 *per cent.* on wages. The benefit to the employer by having a more contented staff and greater efficiency has been considerable. This is no doubt the reason why on every hand co-partnership and efficiency schemes are now being advocated as a solution of the Labour question. Capital in effect says Labour is entitled to improved conditions and higher wages, but as the wealth produced is only £2,000,000,000 per year, Labour will have to co-operate to produce more wealth to meet the cost of higher wages.

Assuming that the consumer does not benefit by lower prices due to increased production, the first question that arises is how much of the extra wealth produced will go to Labour. In the past, as the figures show, Labour has received much the smaller share indeed. Supposing, however, Labour gets the whole of the increased wealth (which is not likely) it will then receive wages plus profits.*

The second question then arises is, that whatever amount Labour receives, whether it is called wages plus profits, plus bonuses, plus dividends, plus shares, the total can never be more than it will be made to pay for its necessities of life. This has been clearly demonstrated by prices always keeping ahead of wages. It makes no difference at all that the total amount is divided into component parts called wages, dividends, profits and bonuses. Sooner or later this position will clearly reveal itself to the wage earner.

While these profit-sharing schemes may for a time bring a small element of industrial rest, there is nothing in them which alters the status of the worker in society, that is, removes him from the position of being a commodity in the market; consequently industrial unrest is inevitable.

There is no doubt that the co-partnership idea will be extended,—especially in Great Britain—but a time must arrive when Labour will insist that *only personal service in the industry is entitled to be rewarded by the industry.*

This will mean that those that have capital invested will not receive any share in the profits by virtue of "owning" such capital, but will probably receive the current rate of interest for "loaning" the capital.

The next step will be for the industry or the State to provide its own necessary capital either with or without charging itself interest for the loan of it.

CHAPTER XIII.

LABOUR IN AUSTRALIA AND NATIONALISATION.

In Australia, where Labour is perhaps more strongly organized and has greater control than elsewhere, there is little or no tendency for it to go in for profit-sharing or co-partnership schemes with Capital. The dividing line between Labour and Capital has been sharply cut. There is the strongest antagonism between the two forces. For the past twenty years Labour, compared to other countries, has pursued a more aggressive policy. The result has been that apart from real wages the general conditions of labour has greatly improved. The Statutes of the country are filled with Labour legislation for the benefit of the mental and manual worker.

This legislation is mainly the political reflection of industrial organization and activity. What has been won on the industrial field has been legalized in the political field.

Experience has taught the workers in Australia that only by consistent efforts on their part can they improve their position.

Every improvement results in more enlightenment and more unrest to secure further improvement.* On the wages question, however, there has been a great disillusionment. The workers appear to have discovered that no matter how much they increase their wages, prices still rise higher. They now find they are worse off financially by 11 *per cent.* than they were fifteen years ago. This is proving a rude awakening. They realise the position cannot be met by co-partnership and profit-sharing schemes. It is felt that the superstructure can never be right if the foundation is wrong.

The disease, and not the symptoms, is now receiving more attention.

Only by a revolutionary or complete change in the fundamental basis of society can any permanent relief be assured. In furtherance of such a change the masses are now demanding public ownership and management of industries and commerce. A most extensive policy in this direction is being adopted by the State governments as well as by the Commonwealth Government.

In 1912 a State Bank was established, which is now the largest bank in Australia, having assets of over £50,000,000. Through this bank the community can finance itself and its industries on whatever terms it decides. Public Insurance, public cattle ranches, public farms, public produce agencies (for the elimination of middlemen), State iron and steel works, public steamers, community owned mines, State retail butchers, public fish shops, public saw-mills, State quarries, State hotels—these are some of the services the people of Australia are undertaking for their common use.

* The chief value of social and industrial reforms is that in so far as they improve the hours of labour and general working conditions, they stimulate the desire for further improvement, and in so far as they fail to improve the financial position of the worker, they stimulate the growing desire for a revolutionary, i.e. a fundamental, change in the economic system.

The alternative to the community owning to its instruments of production is set out as follows by Chiozza Money :

"What is the alternative to public ownership of common services? The alternative is the rule of the 'Combine' or 'Trust,' for it cannot be too clearly realized that the organization of production and distribution must proceed. But organization by private hands—the combination of industrial units into great trusts economising management, production and distribution—cannot safely be tolerated.

"It means the wielding of the chief power in the State, by monopolists, who will use their power for private ends. The era of private competition is closing. On every hand Capital is combining with Capital in restraint of competition. Such combinations threaten the public welfare in several directions. They can make it practically impossible for new capital to enter an industry. They can, while economising labour, keep the profits arising from economy in their own hands, and build up gigantic fortunes while increasing unemployment. They can offer such opposition to Trade Unionism as to wield untrammelled power over their employees. They can accentuate that Error of Distribution which it should be our chief purpose to modify and remove."—*"Riches and Poverty."*

CHAPTER XIV.

STATE CAPITALISM OR SOCIALISM?

It must not be thought that the mere public ownership, or nationalization of industries, is Socialism, or that it provides a complete solution to the social, industrial and economic questions.

At present many services are conducted by the State, as well as by Municipal and other public bodies.

Private capital has been borrowed to finance these undertakings. The interest is a permanent charge on the service.

In many cases much more has been paid for the loan of the money than the original amount lent.

Then again, the treatment of the worker in the public service is little better, if any, than in private employment.

In most cases the policy is to run the service on "business principles"—that is, according to modern Capitalistic methods. It is conceivable that the service might be run to the advantage of one section and the disadvantage of other sections. Profits might be made and used for the benefit of the wealthy to the detriment of the poor.

The worker still remains a commodity in the market. He still receives a subsistence wage and is liable to periods of unemployment. Strikes on State railways and in Municipal services are, to say the least, not unknown. In fact, Nationalization on present day conditions is really State Capitalism.

It has, however, this redeeming feature, that within itself it has the power to right itself. The principle of public ownership for production and distribution being established, the rest is a matter of administration.

So that any policy or measure which transfers land, capital, distribution, or any other necessary service from private to public or common ownership and control should be encouraged and welcomed.

With an adaptability that has been emphasized during the period of the war, it would not take long for the people to adjust themselves into suitable working groups. The natural grouping being in industries such as the building trades, the transport workers, the medical section,

the mining section, the textile industry, etc. Those engaged in each industry having full control and responsible to the other industries for the necessary service it rendered.

For the harmonious co-ordination of the whole, a common control, representative of each industry or guild, would have to be established. The driving force would be the consciousness that all were striving for the common good and that each would receive the full reward of their labour.

This, then, would not be mere nationalization, but the abolition of the wage system, and the socialization of the machinery of production, distribution and exchange.

The general policy outlined in this Memorandum is summed up in the following declared Objectives of Labour and Socialist-organisations.

BRITISH LABOUR PARTY:

"To secure for the producers, by hand or by brain, the full fruits of their industry and the most equitable distribution thereof, that may be possible upon the basis of the common ownership of the means of production and the best obtainable system of popular administration and control of each industry and service."

AUSTRALIAN LABOUR PARTY:

"The securing of the full results of their industry to all producers by the collective ownership of monopolies and the extension of the industrial and economic functions of the State and Municipalities."

SOUTH AFRICAN LABOUR PARTY:

"The socialization of the means of production, distribution and exchange, to be controlled by a democratic State in the interests of the whole community by means of a continued agitation for the demands from time to time contained in the platform of the Party."

SOUTH AFRICAN INDUSTRIAL FEDERATION:

Resolution passed at Conference, October, 1917:—

"That this meeting of organized workers representing the producing classes of South Africa make every effort to organize a social system on a basis which will abolish entirely, or in a great part, the competitive system on which modern Society exists, and substitute co-operation by which a more perfect and equal distribution of the product of our labour will follow. Further, that this meeting declares that this can only be attained by making land and capital and all the instruments of production the general possession of all the members of this community."

CONSTITUTION OF ALL RUSSIAN CONGRESS OF SOVIETS

Laid down July 10th. 1918:—

Clause 3: "The Congress of the Soviets of Workers', Soldiers' and Peasants' Deputies, consider it to be its fundamental duty to abolish all exploitation of one set of human beings by another and the division of society into classes, to summarily suppress all exploiters, and to establish a socialist organization of Society."

BERLIN SOVIET (by Proclamation, November 12th., 1918.)

"The ultimate aim of the revolution is the socialization of the capitalistic means of production."

As these, and similar objectives, have only been arrived at after many years of discussion and deliberation on the part of millions of Trade Unionists and other workers in all parts of the world, the policy enunciated can safely be said to express the Voice of Labour. The ideal aimed at being the *common ownership and control of Land and Capital.*

A searching investigation into the inwardness of the social and industrial disaffection suggests that it is a moral unrest with a spiritual driving force.

How long it will take to attain its ideal, time alone can tell, but the lessons of the war have undoubtedly accelerated the pace, and go to strengthen the belief that the time is approaching when there will be a more conscious organization of our national life, when moral principles will control business principles, when competition for personal gain will give way to co-operation for mutual service; when the private wealth will become subservient to the Commonwealth, and when each will be for all, and all will be for each.

THOMAS BOYDELL.

Johannesburg,

26th November, 1918.

POST SCRIPT. 1922.

The European war has now been over some years.

The economic war, however, is being waged more fiercely than ever.

Industries that were nationalised for the national good have been de-nationalised for private gain.

Unemployment and industrial unrest have been, and are, more rampant than before the war.

The peoples of the world have been sadly disillusioned by the ruling classes.

The new era is proving worse than the old one.

The Capitalist system stands nakedly revealed as more brutal and even more unashamed than ever.

There is no need for Socialists to condemn it. A glance round the world shows that it has condemned itself.

I would despair of humanity did I not know that the forces of co-operation, service, and righteousness, are ultimately bound to prevail.

It therefore behoves those who have dedicated their lives to the cause of Labour and Socialism not to be discouraged, not to falter by the way, but to press forward with greater efforts and a much more UNITED FRONT, for the social and economic awakening that will herald the dawn of a better world.

THOMAS BOYDELL.

Parliament,

Cape Town. 1922.

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